

## Chapter 2: The History and Development of CRM

### Short Answer Questions

58. Even though relationship marketing involves establishing one-to-one relationships with customers, CRM may identify customers and customer segments that a company may not want to establish relationships with. Give examples of the latter.  
Companies should not establish relationships or retain customer who are unprofitable. Such customers are those who buy only what is on sale, require a great deal of sales or technical support, consistently return merchandise, or tie up customer contact personnel on a regular basis. Profit margins erode quickly when dealing on a consistent basis with such customers.
59. List some business goal metrics that should be established regarding CRM.  
Number of customers acquired; reduction of high-value customer defections; increasing revenue/profit from customers; increasing the number of services used by each customer; squeezing value from low-profit customers; etc.
60. Some feel that CRM has its roots in marketing research. In what way(s) did marketing research help shape CRM?  
Customer satisfaction studies have been carried out by marketing researchers since the 1960s. By using these satisfaction measures, others in the company were able to improve quality through the use of total quality management (TQM) techniques. Thus, companies used marketing research satisfaction findings to improve their relationships with customers.
61. How did the diffusion of personal computers within companies contribute to the development of CRM?  
Diffusion of PCs meant that every desktop had the capability to analyze customer data. This led to company divisions having the ability to manipulate their own customer data, develop their own marketing programs, and assess their own performance. Diffusion of PCs enabled those closest to the customer to develop and assess program and campaign performance in new ways.
62. Database construction is easiest for what types of organizations? Most difficult for what types of organizations?  
Database construction is easiest for organizations that have frequent and direct customer interaction (such as banks) and most difficult for organizations that have infrequent and indirect customer interaction (such as automobile and furniture manufacturers). It is intermediate in difficulty for those having frequent but indirect customer interaction (packaged goods companies) or for companies that have infrequent but direct customer interactions (computer stores).
63. What are the real barriers within most companies to effectively implementing a CRM system?  
The real barriers appear to be corporate culture, employee attitudes, organizational structure, and the lack of a strategic plan for the CRM system. In other words, the real barriers reside in the "software" side of the business as opposed to the "hardware" side of the business.
64. Respond to the following observation: "IT is a tool, but often in the area of CRM, IT becomes the plan."

IT and technology should not be the CRM plan; rather the CRM plan should emanate from finding solutions for managers' problems. Early CRM initiatives were built by technical specialists and focused on platform technology rather than on solving managers' problems. When vendors started selling CRM solutions, companies became vulnerable to putting technology before strategy. Strategies, however, should be in place before a CRM system is determined.

65. Before a CRM system is installed, a business plan should be developed showing how CRM system features will relate to each business goal. Give examples of some typical CRM business goals.
- Increasing the profit from each customer
  - Increasing the number of items sold annually to each customer
  - Increasing the acceptance of new products by the customer base
  - Increasing customer satisfaction
  - Improving response rates to promotional campaigns
  - Increasing the speed of campaign development
  - Decreasing the costs involved in campaign development and assessment
  - Decreasing the number of employees and time involved in solving problem tickets
  - Improving the percent of the customer base that trades up to the next item
66. It is often said that CRM's complexity is due to its quantity of functions. What does this mean? CRM includes a wide variety of functions, such as campaign management, sales-force automation, computing customer value, developing customer profiles, monitoring call center effectiveness, customer service, etc.
67. Jill Dyché suggests that a program management office (PMO) be formed to expedite and coordinate the development of an organization's CRM system. What are the functions of a PMO? The function of a PMO, generally located within the IT department, is to divide a project into manageable chunks containing repetitive tasks (coding, design, and testing) and assign each chunk to a project manager. Each project manager is responsible for the goals, budget, and deliverables in his or her area. By putting a PMO in charge of coordination, individual project teams can concentrate on their specific deliverables.
68. Customer data integration (CDI) enables an organization to accrue knowledge about the customer in a consolidated manner; but why is a single, integrated view of the customer difficult to attain? A number of challenges present themselves as organizations attempt to create the single customer view so critical to CRM. They must consolidate and resolve the problems resulting from:
- Disparate databases
  - Multiple touch points
  - Departmental disparity
  - Dissimilar applications
  - Inconsistent customer data
69. What are the key lessons that practitioners have learned regarding CRM analytics to date?
- First, use your current customer database more effectively.
  - Second, segment in order to discriminate between high- and low-value customers.
  - Third, identify the value of your various market segments.
  - Fourth, use the information to build customer relationships.

## Essay Questions

1. Provide as many reasons as you can regarding why outcomes have been unsatisfactory for many companies installing CRM solutions.

Inadequate top management support; no CRM champion within the organization; inadequate financial commitment; exclusion of supply-chain partners in the effort; poor-quality data; technology focus as opposed to a customer focus; no performance metrics; no change management initiatives; not imbuing employees with a customer-centric vision; not establishing sales-force incentives for customers who have long-term as opposed to immediate payoffs; not creating a CRM system that has any payoff for customers; no quick-win CRM solutions built into the CRM initiative; not involving all relevant functional areas in the building of the system.

2. There are various types of customer information and data that are typically collected and input into CRM systems. List the types of customer information and data and what they consist of.

See Table 2.4. The types are:

- Customer Transaction History Information (what was purchased, date of purchase, where it was purchased, price, payment history, returns, length of time as customer, customer referrals, etc.)
  - Customer Demographic and Life-Stage Information (age, gender, income, occupation, marital status, number of children, age of children, address, type of dwelling unit, etc.)
  - Profitability Information (RFM and CLV scores)
3. What were the factors that caused CRM to appear when it did?
    - The increasing number of high-quality competitors and products forced companies to look for other ways to hold onto their customers.
    - The effectiveness of traditional mass marketing methods began to erode due to an increasingly cynical cohort, information overload, noise, fractionalization of audiences due to an increasing number of channels, and magazines and other information sources.
    - The quickening pace of life has led consumers to demand quicker and better service.
    - Channels of communication are multiplying and need to be organized by organizations. E-mail, SMS, WAP, brick and click, catalogs, the Internet, etc. are channels used by consumers, and they all need to be integrated by companies.
  4. Organizations can overcome the barriers to effective CRM implementation through communication. What should be communicated and to whom?
    - The organization must adopt a relationship-marketing philosophy; this philosophy must become imbedded in the minds of managers, departments, functions, and employees.
    - The organization must detail the benefits of the CRM system to its employees, and it must also detail what they personally will gain from it.
    - The top executive must communicate with his or her support at the start of the CRM initiative and maintain support throughout the development and implementation stages.